

# **Novar Holdings Limited**

## **Annual Report and Financial Statements For the year ended 31 December 2019**



## Company Information

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### Officers and professional advisors

#### Director

Ronan Clifford

#### Auditor

Deloitte LLP  
Saltire Court,  
20 Castle Terrace,  
Edinburgh,  
EH1 2DB  
United Kingdom

#### Registered address

Honeywell House,  
Skimped Hill Lane,  
Bracknell,  
Berks,  
RG12 1EB,  
United Kingdom

## Strategic report

for the financial year ended 31 December 2019

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The director presents his strategic report for the financial year ended 31 December 2019.

### Principal activity

The principal activity of the company is to act as the holding company for its subsidiaries.

### Review of the business and future developments

The profit for the financial year, after taxation, is £4,176,000 (2018: £978,000 loss).

In 2018, the company was party to various re-organisation transactions initiated by its ultimate parent company, Honeywell International Inc., resulting in dividend income of £10,968,000 and loss on disposal of investments of £13,021,000. The company has not been party to such transactions in the current year resulting in a profit after taxation amounting to £4,176,000 in the current year.

Further, there are no key performance indicators as the company did not trade during the financial year and is a holding company.

The director intends that the company will continue to operate as a holding company for its subsidiaries for the foreseeable future.

The company is in a net asset position and expects to remain so for the foreseeable future.

### Financial risk management, objectives and policies

The company is exposed to interest rate risk arising out of amounts owed to group undertakings. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances. The company does not have exposure to credit risk as there is no credit risk at the group level on account of intra group loans. Considering that we are receiving a guarantee letter from Honeywell International Inc. to support Inter-company balances, we do not foresee any credit risk.

### Principal risks and uncertainties

As a holding company, the company is exposed to the value of its investments and the ability of its subsidiaries to generate surplus funds and pay dividends. The ultimate parent company actively manages the performance of its subsidiaries.

The coronavirus outbreak has developed rapidly, with a significant number of infections. On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The outbreak of the coronavirus disease ("COVID-19") has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown which could negatively impact the Company's operations and adversely affect its business.

The global spread of COVID 19 has created significant volatility, uncertainty and economic disruption, which is likely to affect the demand for Honeywell products globally. The extent to which the COVID-19 pandemic impacts our business, operations and financial results will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration, scope and severity of the pandemic; governmental, business and individual decisions and actions; the impact of the pandemic on economic activity; and the extent to which we or our business partners may be prevented from conducting normal business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. These factors are expected to impact the profitability of the company's subsidiaries. The company expects a decline in the fair value of its investments, owing to such reduction in its subsidiaries' profitability.

The scope and impact of the COVID-19 pandemic is changing rapidly, and additional impacts may arise. A sustained or prolonged COVID-19 outbreak could exacerbate the negative impacts described above, and the resumption of normal business operations may be delayed or constrained by lingering effects on our suppliers, third-party service providers, and/or customers. These effects, alone or taken together, could further impact each of the risks described above.

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The UK left the EU on 31 January 2020 and will be in a transition period until 31 December 2020, during which time negotiations around a trade deal with the EU will continue. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the company and the wider Honeywell Group's operations. There is no evidence at this time of Brexit having a material adverse effect on the company's activities.

## Strategic report

for the financial year ended 31 December 2019

### Statement by the director in performance of his statutory duties in accordance with s172(1) of Companies Act 2006

The following statement describes how the director has had regard to the matters set out in section 172(1)(a) to (f) when performing his duty under section 172 of the Companies Act 2006.

When making decisions, the director ensures that he acts in a way that he considers, in good faith, would most likely promote the company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

Section 172(1)	Overview of performance of statutory duties
(A) - The likely consequences of any decision in the long term	The director understands the business and the evolving environment in which we operate. The strategy followed by the board, and decisions taken to implement it, is intended to strengthen our position in the market place over the longer term.
(B) - The interests of the company's employees	Given the company is a holding company, there are no employees.
(C) - The need to foster the company's business relationships with suppliers, customers and others	The director recognises the importance of clear communication and proactive engagement with stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the Company. The director factors the implications of decisions on stakeholders, where relevant and feasible. Given the company is a holding company, there are no external suppliers or customers.
(D) - The impact of the company's operations on the community and the environment	The director applies Honeywell International Inc's Sustainable Opportunity Policy which is based on the principle that by integrating health, safety and environmental considerations into all aspects of our business, Honeywell protects its people, communities and the environment; achieves sustainable growth and accelerated productivity; drives compliance with all applicable regulations; and develops technologies that expand the sustainable capacity of our world. This policy is deliberately and directly embedded into the group-wide operating system, a blueprint for continuous operational improvement. Endorsed annually by the Honeywell International Inc CEO and senior leadership, the policy is posted in every facility and communicated to all employees and contractors.
(E) - The desirability of the company maintaining a reputation for high standards of business conduct	The director applies Honeywell International Inc's Code of Business Conduct which is designed to provide guidance on the Group's standards of Integrity and Compliance. By doing so the director helps to ensure that high standards are maintained both within the business and the business relationships we maintain.
(F) - The need to act fairly as between members of the company	By weighing up all relevant factors, the director considers which course of action best enables delivery of strategy through the long-term, taking into consideration the impact on stakeholders, for the time being the company only has one shareholder.

### Principal Decisions

Being a part of a large multinational group of companies, the company adheres to policies and procedures which are often set by the ultimate parent company, Honeywell International Inc. During the year there were no principal decisions, within the context of Section 172 reporting, for the company to disclose.

Approved by the board of directors and signed on its behalf by:

DocuSigned by:  
  
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Ronan Clifford  
Director  
29-Jun-2020

## Director's report

*for the financial year ended 31 December 2019*

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The director presents his annual report and audited financial statements of the company for the financial year ended 31 December 2019.

### Business review and future developments

A review of the business of the company and future developments is included in the strategic report on page 1.

### Results and dividends

The company's profit for the financial year, after taxation was £4,176,000 (2018: £978,000 loss) which will be transferred to reserves. The results for the financial year are shown on page 9.

The director does not recommend the payment of a dividend (2018: Nil).

### Financial risk management, objectives and policies

The details of the financial risk management of the company are included in the strategic report on page 1.

### Director of the company

The directors of the company who held office during the financial year and up to the date of signing these financial statements were:

Ronan Clifford (appointed on 25 October 2019)

John Tus (resigned on 25 October 2019)

### Director's indemnities

Pursuant to the company's articles of association, the director was throughout the financial year ended 31 December 2019 and is at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

### Employee and Stakeholder Engagement

Details of engagement with stakeholders undertaken during the year appears as part of our Section 172 statement on page 2. The company had no employees during the year.

### Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the director, has reviewed the 2019 and Q1 2020 operating results and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The director has further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and is satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of his consideration, the director has acknowledged the cost control measures already taken across Honeywell International Inc, the group's cash, cash equivalents and short term investments balance at 31 March 2020 of \$8.8bn as well as securing additional loan facilities in 2020 of \$6bn, to maximize flexibility, liquidity and resilience.

The director, has a reasonable expectation that the company has adequate resources, including support from Honeywell International Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements.

## Director's report

for the financial year ended 31 December 2019

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### Disclosure of information to auditor

In the case of each of the persons who is a director at the time this report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that he ought to have taken as a director to make him aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### Events since the balance sheet date

Subsequent to the balance sheet date, as noted in the Strategic Report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed in detail elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event in accordance with IAS 10.

### Independent auditor

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the board of directors and signed on its behalf by:

DocuSigned by:  
  
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Ronan Clifford  
Director  
29-Jun-2020

## **Director's responsibilities statement**

*for the financial year ended 31 December 2019*

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The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework.'

Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To assist him in discharging these responsibilities, the director has engaged a number of third party providers including an accounting firm who is engaged to prepare the company's financial statements, as well as Honeywell International Inc.'s own finance shared service centre located in Bengaluru. Honeywell operates a country controllership model under which an identified senior finance representative is responsible for all of the UK and Ireland entities, supported by a wider finance team and under the supervision of the Regional Finance Leader for North & South Europe. The director has ensured that adequate processes are in place to maintain oversight and supervision over these various providers and processes and to ensure there is clear linkage with the company's activities.

## **Independent auditor's report**

*to the members of Novar Holdings Limited*

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of Novar Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the director's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### **Other information**

The director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



## **Independent auditor's report**

*to the members of Novar Holdings Limited*

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of the director**

As explained more fully in the director's responsibilities statement, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the director's report.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

## **Independent auditor's report**

*to the members of Novar Holdings Limited*

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### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:



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James Boyle CA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Edinburgh, United Kingdom  
29-Jun-2020

## Profit and loss account

for the financial year ended 31 December 2019

		2019	2018
	Notes	£000s	£000s
Dividend income	4	-	10,968
Loss on disposal of investments	10	-	(13,021)
<b>Operating result/loss</b>	<b>5</b>	<b>-</b>	<b>(2,053)</b>
Interest receivable	8	4,176	1,075
<b>Profit/(loss) before taxation</b>		<b>4,176</b>	<b>(978)</b>
Tax on profit/(loss)	9	-	-
<b>Profit/(loss) for the financial year</b>		<b>4,176</b>	<b>(978)</b>

All amounts are derived from continuing operations.

No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than the profit/(loss) for the financial year.

The notes on pages 12 to 20 form an integral part of the financial statements.

**Balance sheet**  
as at 31 December 2019

		2019	2018
	Notes	£000s	£000s
<b>Fixed assets</b>			
Investments	10	291,521	291,521
		<b>291,521</b>	<b>291,521</b>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	241,259	237,083
		241,259	237,083
Creditors: amounts falling due within one year	12	(509,180)	(509,180)
<b>Net current liabilities</b>		<b>(267,921)</b>	<b>(272,097)</b>
<b>Total assets less current liabilities</b>		<b>23,600</b>	<b>19,424</b>
<b>Net assets</b>		<b>23,600</b>	<b>19,424</b>
<b>Capital and reserves</b>			
Called-up share capital	13	-	-
Other reserves	14	2,560	2,560
Profit and loss account		21,040	16,864
<b>Total shareholder's funds</b>		<b>23,600</b>	<b>19,424</b>

The financial statements on pages 9 to 20 were approved by the board of directors on 29-Jun-2020 and signed on its behalf by:

DocuSigned by:  
  
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Ronan Clifford  
Director

## Statement of changes in equity

for the year ended 31 December 2019

	<i>Called-up share capital</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total</i>
	£000s	£000s	£000s	£000s
At 1 January 2018	-	<b>2,560</b>	<b>17,842</b>	<b>20,402</b>
Loss for the financial year	-	-	(978)	(978)
<b>At 31 December 2018</b>	-	<b>2,560</b>	<b>16,864</b>	<b>19,424</b>
Profit for the financial year	-	-	4,176	4,176
<b>At 31 December 2019</b>	-	<b>2,560</b>	<b>21,040</b>	<b>23,600</b>

## Notes to financial statements

for the financial year ended 31 December 2019

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### 1. General information

Novar Holdings Limited is a private limited company which is incorporated in United Kingdom under the Companies Act 2006 and is registered in England and Wales. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

The immediate parent undertaking is Novar Limited, a company incorporated in United Kingdom. The registered office of the company is Honeywell House, Skimped Hill Lane, Bracknell, Berks, R12 1EB, United Kingdom.

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as parent of a group.

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Honeywell International Inc., a company registered in the USA. Honeywell International Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 251, Little Falls Drive, Wilmington, DE 19808, USA. The financial statements of Honeywell International Inc. are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at [www.honeywell.com](http://www.honeywell.com).

### 2. Significant accounting policies

The accounting policies that have been applied consistently throughout the financial year and in the preceding year are set out below:

#### *Basis of preparation*

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

## Notes to financial statements

for the financial year ended 31 December 2019

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### *Going concern*

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Honeywell International Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the director, has reviewed the 2019 and Q1 2020 operating results and financial performance of Honeywell International Inc. as well as representations and initiatives of Honeywell Executive Leadership. The director has further relied on forward looking assessments provided by Honeywell International Inc under various possible COVID 19 scenarios and is satisfied that the ultimate parent company is in a position to provide the necessary financial support. As part of his consideration, the director has acknowledged the cost control measures already taken across Honeywell International Inc, the group's cash, cash equivalents and short term investments balance at 31 March 2020 of \$8.8bn as well as securing additional loan facilities in 2020 of \$6bn, to maximize flexibility, liquidity and resilience.

The director, has a reasonable expectation that the company has adequate resources, including support from Honeywell International Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, he continues to adopt the going concern basis in preparing the annual report and financial statements.

### *Interest receivable*

Interest receivable is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

### *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established, that is on declaration of the dividend by the subsidiary.

### *Taxation*

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

### *Investments – recognition, measurement and impairment*

Investments in subsidiaries are accounted for at cost less any provision for impairment. The value of investments is reviewed annually by the director or more frequently if there is a triggering event and provision made where the investment's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment losses been recognised for the investment in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account.

### *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Notes to financial statements

for the financial year ended 31 December 2019

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### *Financial assets – recognition and measurement*

#### *Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

#### *Classification of financial assets*

Currently, all financial assets meet the following conditions and hence are classified at amortised cost:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the profit and loss account. The losses arising from impairment are recognised in the profit and loss account.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### *Impairment of financial assets*

In accordance with IFRS 9, the company applies the expected credit loss (ECL) model for the measurement and recognition of impairment loss on financial assets measured at amortised cost e.g., loans.

The company has considered any expected credit loss in respect of the amounts owed from group undertakings. A letter of guarantee has been provided by the ultimate parent company, Honeywell International Inc. indicating that support will be given in order to settle these amounts should it be necessary. Accordingly, the company has not recognised a provision for expected credit loss.

### *Financial liabilities - recognition and measurement*

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The company's financial liabilities comprise of loans and borrowings.



## Notes to financial statements

for the financial year ended 31 December 2019

### Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss account when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest payable in the profit and loss account.

### De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss account.

## 3. Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 2, the director is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Judgements

#### (i) Impairment of financial assets

A letter of guarantee has been provided by the ultimate parent company, Honeywell International Inc. over financial assets at amortised cost receivable from fellow group companies, indicating that support will be given in order to settle these amounts should it be necessary. Accordingly, the company has not recognised a provision for expected credit loss on those balances.

### Estimates and assumptions

In the process of applying the company's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the financial statements:

#### (ii) Impairment of Investments

The investment in subsidiary undertakings is carried at cost less impairment. The assessment of impairment involves estimation in relation to the value of the unquoted investment based on the net assets of the underlying investment and projected cash flows, wherever applicable. At the period end the value of the investments were £291,521,000 (2018: £291,521,000). There was no impairment charge during the year (2018: £nil).

## 4. Dividend income

	2019	2018
	£000s	£000s
Dividend from subsidiary	-	10,968
<b>Total dividend income</b>	<b>-</b>	<b>10,968</b>

## Notes to financial statements

for the financial year ended 31 December 2019

### 5. Operating loss

	2019	2018
	£000s	£000s
This is stated after charging:		
Loss on disposal of investments	-	13,021

### 6. Auditor's remuneration

Fees payable to the auditor, Deloitte LLP, amounted to £3,800 (2018: £6,900) for the audit of the financial statements. This cost was incurred by Honeywell Control Systems Limited, a fellow UK subsidiary of Honeywell International Inc., and it is not recharged to the company.

There are no non audit services fees payable to the auditor (2018: nil).

### 7. Employees and directors

In 2019, all directors (2018: one director) have been remunerated by other group companies for their services to the group as a whole.

The company has no other employees (2018: no other employees).

### 8. Interest receivable

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	4,176	1,075
<i>Total interest receivable</i>	<u>4,176</u>	<u>1,075</u>

### 9. Taxation

(a) Tax charged in the profit and loss account

	2019	2018
	£000s	£000s
<i>Current tax:</i>		
UK corporation tax on profit/(loss) for financial year	-	-
<i>Total current tax</i>	<u>-</u>	<u>-</u>
<i>Total tax expense/(credit) reported in the profit and loss account</i>	<u>-</u>	<u>-</u>

## Notes to financial statements

for the financial year ended 31 December 2019

### (b) Reconciliation of the total tax charge

The tax expense in the profit and loss account for the financial year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	2018
	£000s	£000s
Profit/(loss) before tax	4,176	(978)
Profit/(loss) multiplied by the effective rate of corporation tax in the UK of 19% (2018: 19%)	793	(186)
Effects of:		
Expenses not deductible for tax purposes	-	2,474
Income not taxable for tax purposes	-	(2,084)
Imputed income chargeable for tax purpose	(484)	(451)
Group relief (not paid for)/surrendered	(309)	247
Total tax expense reported in the profit and loss account	-	-

### (c) Factors affecting tax charge for the financial year

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, as per the budget announced on 11 March 2020, it was decided to maintain the UK corporation tax rate at 19%.

There are no unprovided amounts relating to deferred tax.

## 10. Investments

	2019	2018
	£000s	£000s
Cost		
At 1 January	356,677	369,791
Additions during the year	-	2,700
Disposals during the year	-	(15,814)
At 31 December	356,677	356,677
Provision for impairment		
At 1 January	(65,156)	(67,950)
Provided during the year	-	-
Disposals during the year	-	2,794
At 31 December	(65,156)	(65,156)
Net book value	291,521	291,521

## Notes to financial statements

for the financial year ended 31 December 2019

The director believes that the book value of the investments is not more than the value of the underlying net assets.

Shares in the company's subsidiary undertakings are ordinary shares. The subsidiary undertakings are listed in note 15.

During 2018, Novar Holdings Ltd disposed of its investment in shares of Novar Buildings Products Limited having a net book value of £13,021,000. The sale was for a consideration of £1 resulting in a loss of £13,021,000. Further the company purchased the shares of Novar (Twyfords) Limited amounting to £2,700,000.

### 11. Debtors: amounts falling due within one year

	2019	2018
	£000s	£000s
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	241,259	237,083
<b>Total amounts falling due within one year</b>	<b>241,259</b>	<b>237,083</b>

Amounts owed by group undertakings include the following interest bearing loans and other borrowings:

<i>Receivable</i>	<i>Currency</i>	<i>Interest terms</i>	2019	2018
			£000s	£000s
On demand	GBP	UK base rate plus 1%	241,259	237,083

All amounts owed by group undertakings are payable on demand and unsecured.

### 12. Creditors: amounts falling due within one year

	2019	2018
	£000s	£000s
Amounts owed to group undertakings	509,180	509,180
<b>Total amount owed to creditors</b>	<b>509,180</b>	<b>509,180</b>

All amounts owed to group undertakings are payable on demand and unsecured.

### 13. Called-up share capital

	2019	2018
	£000s	£000s
<i>Authorised</i>		
256,584,382 (2018: 256,584,382) ordinary shares of £0.05 each at 1 January and 31 December	12,829	12,829
<i>Allotted, called up and fully paid</i>		
1 (2018:1) ordinary share of £0.05 each at 1 January and 31 December	-	-

## Notes to financial statements

for the financial year ended 31 December 2019

### 14. Other reserves

	2019	2018
	£000s	£000s
<i>Balance at 1 January and 31 December</i>		
Other reserves	2,560	2,560

The other reserves of £2,560,000 represents the Capital Redemption Reserve which arose on repurchase of deferred shares when Caradon Plc. obtained a listing on the Stock Exchange in July 1987. It is a non-distributable reserve.

### 15. Subsidiary undertakings

The company's subsidiary undertakings, all of which are 100% owned unless otherwise indicated, are as follows:

<i>Name of company</i>	<i>Principal activity</i>	<i>% holding</i>	<i>Country of incorporation</i>	<i>Address</i>
<i>Directly held subsidiaries:</i>				
Novar Electrical Holdings Limited	Holding Company		United Kingdom	*
Novar (Twyfords) Limited	Dormant		United Kingdom	*
<i>Indirectly held subsidiaries</i>				
MK Electric International Limited	Electrical Devices		Jersey	Kleinwort Benson House P.O. Box 76 West's Centre Saint Helier JE4 8PQ Jersey
Honeywell Electrical Devices & Systems India Limited	Electrical Devices	91%	India	Dowlath Tower 3 & 4 Floor Taylors Road, Kilpauk Chennai Tamil Nadu-TN 600010 India
Novar ED&S Limited	Electrical Devices		United Kingdom	*
Novar Systems Limited	Fire and Security		United Kingdom	*
Trend Control systems Limited	Building Management systems		United Kingdom	*

\* Honeywell House, Skimped Hill Lane, Bracknell, Berks, RG12 1EB.

## **Notes to financial statements**

*for the financial year ended 31 December 2019*

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### **16. Events after balance sheet date**

Subsequent to the balance sheet date, as noted in the Strategic Report, the COVID-19 outbreak has developed rapidly, being declared a global pandemic. The principal risks and uncertainties and the impact on going concern have been discussed in detail elsewhere in these financial statements. We have concluded that the outbreak is a non-adjusting event in accordance with IAS 10.